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PRESS RELEASE

Annual green investment flow of some 100 billion dollars possible as part of fight against global warming

(Riyadh, 19 September 2006) – According to the United Nations Climate Change Secretariat, market-based mechanisms such as the Kyoto Protocol's clean development mechanism (CDM) have the potential to generate massive investment in developing countries.

Speaking at the first international conference on the CDM in Riyadh, Saudi Arabia, UNFCCC Executive Secretary Yvo de Boer said that industrialized countries could with this or similar mechanisms achieve swingeing cuts in greenhouse gas emissions and at the same time help enhance sustainable development.

"Via international carbon finance, there is a potential to generate up to 100 billion dollars per year in green investment flow to developing countries," Mr. de Boer said. "None of the other types of financial resources available to these countries have a potential of this scale."

The clean development mechanism (CDM) permits industrialized countries to invest in sustainable development projects and thereby generate tradable emission credits.

The Kyoto Protocol presently requires 35 industrialized countries and the European Community to reduce greenhouse gas emissions by an average of 5% below 1990 levels in its first commitment period between 2008 and 2012.

Recent scientific findings and growing evidence of impacts of climate change suggest that deep emission cuts by industrialized countries are needed to stabilize the world's climate, with European leaders referring to reductions on the order of 60 to 80% by the middle of the century.

"The 100 billion dollars a year investment flow would come about if half of the 60 to 80% reduction in emissions is met by industrialized countries through investment in developing countries," said Mr. de Boer.

Looking ahead to the upcoming United Nations Climate Change Conference in Nairobi (6 to 17 November), during which negotiations on the second commitment period of the Kyoto Protocol will continue, Mr. de Boer said that keeping a price on carbon beyond 2012 was critical for mobilizing investment flows to developing countries.

"The current CDM pipeline is expected to generate some 12 billion dollars in carbon credits by 2012, presuming that the price of a tonne of carbon is in the order of around 10

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dollars. If the post-2012 value of credits can be ensured and there is continuing growth of the CDM, the actual income is likely to be much higher," he said.

With the unavoidable effects of climate change becoming ever more apparent, the UN's top climate official also said it was important to agree on activities which will enable governments to adapt.

"For example, it is critical to reach a political agreement in Nairobi on the Adaptation Fund, which will use some of the income generated by the CDM to finance adaptation in developing countries," he said.

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